

## CDCI ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Pyramid Federal Credit Union

Point of Contact:	Ray Lancaster	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	1417	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	2,500,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	24826
Date Funded (first funding):	N/A	City:	Tucson
Date Repaid <sup>1</sup> :	N/A	State:	Arizona

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

While overall lending remained sluggish within Arizona, we were able to grow our loans by more than 4%. The average credit union in Arizona had their loan portfolio shrink by an average of more than 10% during 2011.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Residential mortgage real estate loans grew by 2% and autos grew by more than 7%. Generally, our auto loans are on used vehicles and many times are loans that are refinanced from another institution at a lower rate to the borrower which helps improve their financial situation.

☒ **Increase securities purchased (ABS, MBS, etc.).**

Excess funds have been used to purchase securities to help offset the 2% cost of the CDCI funds.

☐ **Make other investments.**

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☐ Increase reserves for non-performing assets.

☒ Reduce borrowings.

The funds have provided additional liquidity which has enabled us not to borrow other funds

☐ Increase charge-offs.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

During 2011, many lenders had to reduce their staffing and facilities due to the reduced loan demand. With our loans increasing, we have been able to maintain all of our facilities and employees in addition to helping the members who borrow from us. With the infusion, we are able to continue to make and hold residential mortgage loans in Arizona. We are also able to continue to advertise mortgage loans in our community. We were also able to continue to reach out to those living in under-served areas in order to provide affordable banking services.

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### **What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

Without the capital infusion, we would have had to close one or more of our branches in order to protect the capital we had. We also would have had to slow/restrict member and asset growth due to its impact on our capital. By taking the capital infusion, we were able to maintain a high net worth in spite of out 9% growth in new accounts. We were able to continue advertising to those that are looking for affordable banking service. We were also able to expand our product offerings and are reaching out to other non-profit groups to help them provide affordable housing for low-income members.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

The CDCI funds have allowed us to continue to grow our assets due to the increase in capital. The funds have also allowed to begin exploring other areas in which we may help our community. We have partnered with the local United Way office and go with them to make group presentations on various topics to the low-income elderly population. We are also exploring the opportunity to offer micro-loans in our area to help members start a new small business.